

TROUT LAKE TOWNSHIP
BASIC FINANCIAL STATEMENTS
June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|---|-------------------------|--|--------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Traut Lake Township | County Chippewa |
| Audit Date 6/30/04 | Opinion Date 8/18/04 | Date Accountant Report Submitted to State: 10/30/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|--|-------------------|-------------|--------------|
| Certified Public Accountant (Firm Name) Anderson, Jackman & Company, P.L.C. | | | |
| Street Address 16978 S. Riley Ave. | City Kincheloe | State MI | ZIP 49788 |
| Accountant Signature Anderson Jackman & Co P.C. | | | |

TROUT LAKE TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

HELEN A. FISCHER

TOWNSHIP TREASURER

CHARI L. FISCHER

TOWNSHIP CLERK

GARY A. GOUDREAU

TOWNSHIP TRUSTEE

JERRY A. BALL

TOWNSHIP TRUSTEE

RUBY O. PEAKE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITORS' REPORT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the accompanying financial statements of the governmental activities, the governmental major funds, and aggregate other funds, of the Trout Lake Township as of and for June 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 5 to the financial statements, management has not recorded certain general infrastructure and capital assets, and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Trout Lake Township, as of June 30, 2004, and the changes in financial position thereof for the year then ended.

The Trout Lake Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The Township has not presented the Management’s Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trout Lake Township’s, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson Tackman & Co P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 18, 2004

Basic Financial Statements

Trout Lake Township

Statement of Net Assets June 30, 2004

Governmental Activities

ASSETS:

Current Assets

Cash & Investments - Unrestricted
Internal Loans
Due from Governmental Units
Prepaid Expenses
Other Assets

\$ 176,152
162,449
501
12,983
4,439

TOTAL ASSETS

356,524

NET ASSETS:

Unrestricted

356,524

TOTAL NET ASSETS

\$ 356,524

Trout Lake Township

Statement of Activities For the Year Ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues Charges for Services | Governmental Activities Net (Expense) Revenue and Changes in Net Assets |
|--------------------------------------|----------|---|--|
| Governmental Activities: | | | |
| General Government | 67,101 | - | (67,101) |
| Public Safety | 2,587 | - | (2,587) |
| Health & Welfare | 36,688 | 460 | (36,228) |
| Recreation & Culture | 29,703 | 41,576 | 11,873 |
| Total Governmental Activities | 136,079 | 42,036 | (94,043) |
| General Revenues: | | | |
| Taxes | | | 61,512 |
| State Revenue Sharing | | | 31,931 |
| Local - General | | | 11,836 |
| Investment Earnings (Loss) | | | 4,048 |
| Total General Revenues and Transfers | | | 109,327 |
| Change in Net Assets | | | 15,284 |
| Net Assets - Beginning | | | 341,240 |
| Net Assets - Ending | | | \$ 356,524 |

See accompanying notes to financial statements.

Trout Lake Township

Balance Sheet Governmental Funds June 30, 2004

| | General | Ambulance | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | |
| Cash & Equivalents | \$ 64,186 | \$ 75,183 | \$ 36,783 | \$ 176,152 |
| Due from Other Funds | 245,825 | - | - | 245,825 |
| Due from Governmental Units | 501 | - | - | 501 |
| Prepaid Expenses | 12,983 | - | - | 12,983 |
| Other Assets | 4,439 | - | - | 4,439 |
| TOTAL ASSETS | <u>\$ 327,934</u> | <u>\$ 75,183</u> | <u>\$ 36,783</u> | <u>\$ 439,900</u> |
| LIABILITIES: | | | | |
| Due to Other Funds | \$ - | \$ 59,256 | \$ 24,120 | \$ 83,376 |
| TOTAL LIABILITIES | <u>-</u> | <u>59,256</u> | <u>24,120</u> | <u>83,376</u> |
| FUND BALANCES: | | | | |
| Unreserved | <u>327,934</u> | <u>15,927</u> | <u>12,663</u> | <u>356,524</u> |
| TOTAL FUND BALANCES | <u>327,934</u> | <u>15,927</u> | <u>12,663</u> | <u>356,524</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 327,934</u> | <u>\$ 75,183</u> | <u>\$ 36,783</u> | |
| Net assets of governmental activities | | | | <u>\$ 356,524</u> |

Trout Lake Township

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2004

| | General | Ambulance | Other Governmental Funds | Totals Governmental Funds |
|--|-------------------|------------------|--------------------------------|---------------------------------|
| REVENUES: | | | | |
| Taxes | \$ 56,646 | \$ 2,433 | \$ 2,433 | \$ 61,512 |
| State Sources | 31,931 | - | - | 31,931 |
| Charges for Services | 41,576 | 460 | - | 42,036 |
| Interest & Rentals | 4,219 | 297 | 232 | 4,748 |
| Contributions | 6,310 | - | - | 6,310 |
| Other Revenue | 4,426 | 400 | - | 4,826 |
| TOTAL REVENUES | 145,108 | 3,590 | 2,665 | 151,363 |
| EXPENDITURES: | | | | |
| General Government | 67,101 | - | - | 67,101 |
| Public Safety | 800 | - | 1,787 | 2,587 |
| Health & Welfare | - | 36,688 | - | 36,688 |
| Recreation & Cultural | 29,703 | - | - | 29,703 |
| TOTAL EXPENDITURES | 97,604 | 36,688 | 1,787 | 136,079 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 47,504 | (33,098) | 878 | 15,284 |
| FUND BALANCES, JULY 1 | 280,430 | 49,025 | 11,785 | 341,240 |
| FUND BALANCES, JUNE 30 | \$ 327,934 | \$ 15,927 | \$ 12,663 | \$ 356,524 |

Trout Lake Township

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

| | <u>Current Tax Collection Fund</u> |
|-------------------------|--|
| ASSETS: | |
| Cash & Cash Equivalents | <u>\$ 162,449</u> |
| TOTAL ASSETS | <u><u>\$ 162,449</u></u> |
| LIABILITIES: | |
| Due to General Fund | <u>\$ 162,449</u> |
| TOTAL LIABILITIES | <u><u>\$ 162,449</u></u> |

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trout Lake Township, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Financial Reporting Entity

Trout Lake Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Trout Lake Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Trout Lake Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Trout Lake Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Trout Lake Township as of the preceding December 31st.

Although the Trout Lake Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Trout Lake Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Trout Lake Township totaled \$16,912,377, on which ad valorem taxes levied consisted of 1.611 mills for the Township operating. This amount is recognized in the General Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ambulance

This fund accounts for Ambulance services to residence of Trout Lake Township.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The Township Board did not adopt a budget for fiscal year 2004, in violation of Public Act 621.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary Funds |
|---------------------------|----------------------------|--------------------|
| Cash and Cash Equivalents | \$ 176,152 | 162,449 |
| Total | \$ 176,152 | \$ 162,449 |

The breakdown between deposits and investments is as follows:

| | Primary Government | Fiduciary Funds |
|---|-----------------------|--------------------|
| Bank Deposits (checking and savings accounts, certificates of deposit) | \$ 176,152 | \$ 162,449 |
| Total | \$ 172,152 | \$ 162,449 |

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the Township's primary and fiduciary deposits was \$370,601 and the bank balance was \$337,007. Of the bank balance, \$100,000, approximately 30%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in one financial institution in Chippewa County. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds are as follows:

| | General Fund | Total |
|-----------------|-----------------|---------------|
| Receivables: | | |
| Due From Others | \$ 501 | \$ 501 |
| Net Receivables | <u>\$ 501</u> | <u>\$ 501</u> |

NOTE 5 - CAPITAL ASSETS

The Township has not recorded Capital Assets. U.S. Generally Accepted Accounting Principles requires that governmental units record and depreciate capital assets.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|-------------------|
| General Fund | Fire | \$ 18,910 |
| General Fund | Ambulance | 59,256 |
| General Fund | Budget Stabilization | 5,210 |
| General Fund | Tax | <u>162,449</u> |
| Total | | <u>\$ 245,825</u> |

NOTE 7 - CONTINGENCIES:

Risk Management – The Township of Trout Lake is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

NOTE 8- BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18, (1) as amended, requires the adoption of a balanced budget for the general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

As discussed in Note 2, the Township failed to adopt a budget as required by the Act. As a result, the Township incurred expenditures that were not authorized by a legally adopted budget.

NOTE 9 - FUND DEFICITS:

Public Act 275 requires the Township to file a deficit elimination plan within ninety (90) days of fiscal year end. The basic financial statements include the following fund with a cumulative fund deficit at June 30, 2004:

| <u>Special Revenue Fund</u> | <u>Deficit Amount</u> |
|-----------------------------|-----------------------|
| Fire | \$ (788) |

NOTE 10- CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

Required Supplemental Information

Trout Lake Township

Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|-------|----------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ 56,646 | \$ 56,646 |
| State Sources | - | - | 31,931 | 31,931 |
| Charges for Services | - | - | 41,576 | 41,576 |
| Interest & Rentals | - | - | 4,219 | 4,219 |
| Contributions | - | - | 6,310 | 6,310 |
| Other Revenue | - | - | 4,426 | 4,426 |
| TOTAL REVENUES | - | - | 145,108 | 145,108 |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Supervisor | - | - | 3,917 | (3,917) |
| Treasurer | - | - | 4,281 | (4,281) |
| Clerk | - | - | 3,727 | (3,727) |
| Trustees | - | - | 2,281 | (2,281) |
| Assessor | - | - | 11,564 | (11,564) |
| Board of Review | - | - | 631 | (631) |
| Township Hall | - | - | 18,782 | (18,782) |
| Elections | - | - | 666 | (666) |
| Insurance | - | - | 14,327 | (14,327) |
| Professional | - | - | 6,715 | (6,715) |
| Cemetery | - | - | 210 | (210) |
| Total General Government | - | - | 67,101 | (67,101) |
| Public Safety: | | | | |
| Inspections | - | - | 800 | (800) |
| Total Public Safety | - | - | 800 | (800) |
| Recreation and Culture: | | | | |
| Park | - | - | 29,703 | (29,703) |
| Total Recreation and Culture | - | - | 29,703 | (29,703) |
| TOTAL EXPENDITURES | - | - | 97,604 | (97,604) |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ - | \$ - | 47,504 | \$ 47,504 |
| FUND BALANCE, JULY 1 | | | 280,430 | |
| FUND BALANCE, JUNE 30 | | | \$ 327,934 | |

Trout Lake Township

Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|-------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ 2,433 | \$ 2,433 |
| Charges for Services | - | - | 460 | 460 |
| Interest & Rentals | - | - | 297 | 297 |
| Contributions | - | - | 400 | 400 |
| TOTAL REVENUES | - | - | 3,590 | 3,590 |
| EXPENDITURES: | | | | |
| Health and Welfare | - | - | 36,688 | (36,688) |
| TOTAL EXPENDITURES | - | - | 36,688 | (36,688) |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | (33,098) | <u>\$ 33,098</u> |
| FUND BALANCE, JULY 1 | | | 49,025 | |
| FUND BALANCE, JUNE 30 | | | <u>\$ 15,927</u> | |

Other Supplemental Information

Trout Lake Township**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

| | <u>Special Revenue Funds</u> | | |
|-------------------------------------|------------------------------|--|---|
| | <u>Fire Fund</u> | <u>Budget Stabilization Fund</u> | <u>Totals (Memorandum Only)</u> |
| ASSETS: | | | |
| Cash & Equivalents | \$ 18,122 | \$ 18,661 | \$ 36,783 |
| TOTAL ASSETS | <u>\$ 18,122</u> | <u>\$ 18,661</u> | <u>\$ 36,783</u> |
| LIABILITIES: | | | |
| Due to Other Funds | \$ 18,910 | \$ 5,210 | \$ 24,120 |
| TOTAL LIABILITIES | <u>18,910</u> | <u>5,210</u> | <u>24,120</u> |
| FUND BALANCES: | | | |
| Unreserved | <u>(788)</u> | <u>13,451</u> | <u>12,663</u> |
| TOTAL FUND BALANCES | <u>(788)</u> | <u>13,451</u> | <u>12,663</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 18,122</u> | <u>\$ 18,661</u> | <u>\$ 36,783</u> |

Trout Lake Township

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended June 30, 2004

| | Special Revenue Funds | | |
|---|-----------------------|---------------------------------|--------------------------------|
| | Fire Fund | Budget Stabilization Fund | Totals (Memorandum Only) |
| REVENUES: | | | |
| Taxes | \$ 2,433 | \$ - | \$ 2,433 |
| Interest & Rentals | 124 | 108 | 232 |
| TOTAL REVENUES | 2,557 | 108 | 2,665 |
| EXPENDITURES: | | | |
| Public Safety | 1,787 | - | 1,787 |
| TOTAL EXPENDITURES | 1,787 | - | 1,787 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 770 | 108 | 878 |
| FUND BALANCES, JULY 1 | (1,558) | 13,343 | 11,785 |
| FUND BALANCES, JUNE 30 | \$ (788) | \$ 13,451 | \$ 12,663 |



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Trustees
Trout Lake Township
Trout Lake, Michigan

We have audited the financial statements of the Trout Lake Township for the year ended June 30, 2004, and have issued our reports thereon dated August 18, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Trout Lake Township. Such consideration were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Trout Lake Township's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process (balance sheets only).

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trout Lake Township or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trout Lake Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of Trout Lake Township, for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Tax Collection Fund (prior comment)

The Township did not record its 2003 tax levy revenue in the General Fund for the year ended June 30, 2003. As in the prior period, the Tax Collection Fund carried a cash balance that was comprised of the current and prior year tax collections and accumulated interest income on the outstanding balance. As the Tax Collection Fund by definition cannot recognize revenues or expenditures, not transferring the annual tax levy understates the Township's revenue. An audit adjustment was made to record the 2003 tax levy revenue in the General Fund for the year ended June 30, 2003.

The Township should record this as a standard accounting entry each year when the Township settles with the County. A corresponding cash transfer from the Tax Collection Fund deposit account to the General Fund cash account should also be made.

Tax Collections (prior comment)

The Township did not disburse tax collections within 10 business days of collection. It is recommended the Township distribute tax collections to the appropriate local unit within the 10 business day disbursing requirement.

Investment Policy (prior comment)

The Township has not adopted an investment policy in accordance with Michigan Public Act requirements. We recommend the Township adopt an investment policy.

Capital Assets

The Township does not maintain a detail listing of its capital assets. The capital assets of the Township also are not recorded in the accounting records as required by accounting principles generally accepted in the United States of America. To strengthen control over the Township's capital assets and to be in compliance with GAAP the Township should develop a current listing of capital assets. Each item on the list should be recorded at its historical cost or fair market value (if historical cost cannot be determined) and depreciated over its useful life. Under GASB Statement No. 34, capital assets are required to be recorded. There should be determinable values of cost, accumulated depreciation, and current year depreciation expense.

The Township has not adopted a capitalization policy. It is recommended the Township adopt a policy establishing what assets to capitalize and what assets to expense.

Bank Accounts

It was noted that several bank accounts were closed that have old outstanding checks and deposits. It is recommended the Township determine if the checks are likely to clear and if not, they should be escheated to the State of Michigan. The deposits should be cleared out if they are not valid.

The general fund checking and tax fund bank accounts were not reconciled at the end of the year. It is recommended all bank accounts be reconciled at the end of each month.

Tax Fund

During fiscal year 2004, the activity in the tax fund was not recorded in the general ledger. It is recommended that all receipts and disbursement of tax collections be recorded in the general ledger. It is also recommended that all interest earned and services charges be posted to the general ledger.

Receipting

During a review of the revenue, it was noted that a general fund receipt was posted in both the general fund and ambulance fund. This caused the book balance of the ambulance account to be overstated. It is recommended more care be taken when posting receipts to avoid double posting.

Opening Bank Accounts

It was noted that amounts to transfer cash to a new bank account were posted the *Opening Balance Equity*. This account represents the equity of the Township and should not be used to post transfers.

Budget Violations

The Township Board did not adopt budgets for the General or Special Revenue Funds as required by Act 621 of 1978, Section 18, (1) as amended. It is recommended the Township adopt a budget for the General Fund and Special Revenue Funds on a functional level in order to avoid budget violations.

Park Receipts

We selected 6 days of park receipts to balance the total individual receipts to the amount of deposit posted on the general ledger. We noted that three of these deposits did not match the amount of individual receipts. Although these amounts are immaterial, it is recommended before depositing park receipts the money received equal the supporting receipts.

Deficit Fund Balances

The fire fund, at June 30, 2004, had a deficit fund balance of \$770. It is recommended the Township not expend more than what is received or transfer money from the general fund to cover the deficit. It is also recommended the Township adopt a plan to bring the fund balance back to a credit balance. The Township is also required to file a deficit elimination plan with the Michigan Department of Treasury within ninety (90) days of fiscal year end.

Conclusion

We will review the status of these comments during our next audit engagement. The comments and recommendations have already been discussed with the Treasurer. We would be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information of the Board of Trustees, Trout Lake Township, management, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 18, 2004